

**Report on Audit of Budget  
and Planning System Internal Controls**

**March 2003**

**Reference Number: 2003-1C-060**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**

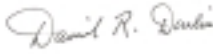


INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

March 4, 2003

MEMORANDUM FOR DAVID A. GRANT  
DIRECTOR OF PROCUREMENT  
INTERNAL REVENUE SERVICE

FROM:  Daniel R. Devlin  
Assistant Inspector General for Audit (Headquarters Operations  
and Exempt Organizations Programs)

SUBJECT: Report on Audit of Budget and Planning System Internal Controls  
(Audit #200310002.024)

The Defense Contract Audit Agency (DCAA) audited the contractor's Civil Group's budget and planning system. The purpose of the audit was to evaluate the adequacy of the system's internal controls for providing reasonable assurance that a sound budgetary system is operating for contractor planning and cost control purposes.

The DCAA opined that the budget and planning system and related internal control policies and procedures of the contractor's Civil Group are inadequate. The audit discloses that the contractor's Civil Group lacks adequate written budget and planning policies and procedures that address the following control objectives: functional organization; strategic and long-range planning; preparation of budgets; budget performance and monitoring; and, budget revisions. The DCAA considers the lack of policies and procedures to be a significant deficiency in the design and operation of the internal control structure.

Additionally, the DCAA indicated that the failure of the contractor's Civil Group to implement adequate budgeting and planning controls could result in ineffective control over planning and cost incurred, and impair the company's ability to perform efficiently and economically. This may result in increased costs on government contracts. The DCAA recommends that the contractor's Civil Group establish and maintain a written description of its budget and planning system which clearly identifies the methods associated with budget, planning, and cost control in sufficient detail to provide an overall understanding of budget and planning operations.

This DCAA report was issued in September 2000, however, the Treasury Inspector General for Tax Administration (TIGTA) did not receive the report until February 2003. The Internal Revenue Service (IRS) previously received a copy of the report directly from the DCAA. We are transmitting the report to you to enable the IRS to track any financial accomplishments derived from negotiations with the contractor based on the results of this DCAA report.

The information in this report should not be used for purposes other than that intended without prior consultation with the TIGTA regarding its applicability.

If you have any questions, please contact me at (202) 622-8500 or John R. Wright, Director, at (202) 927-7077.

Attachment

# NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

*The TIGTA seal was removed due to its size.*